



# County of Fairfax, Virginia

## NEWS RELEASE

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## **County Executive Proposes \$3.2 Billion Budget for Fiscal Year 2007**

### ***School Operating Funding Increased \$85.88 million***

Fairfax County Executive Anthony H. Griffin has proposed a General Fund budget of \$3,182,514,316 for Fiscal Year 2007 (July 1, 2006 through June 30, 2007), an increase of 2.74 percent over the *FY 2006 Revised Budget Plan*. The total of all Appropriated Funds is \$5.49 billion. In conformance with the Board of Supervisors' Budget Guidelines for FY 2007, the proposed budget is balanced, with funding initiatives tied to the County's strategic priorities, and includes a seven-cent reduction in the real estate tax rate from \$1.00 per \$100 of assessed value to \$0.93 per \$100 of assessed value, the lowest rate in recent County history. The Board's Budget Guidelines for FY 2007 represented a departure from previous policy where expenditure growth was limited to revenue growth. Instead, in recognition of healthy revenue growth, the Board set the target for the Schools' increase at 6 percent and the County limit at 5 percent, excluding new facilities, the Metro contribution, and required debt service payments.

In accordance with the Budget Guidelines, Griffin included an increase of 6.0 percent in the County's Operating Transfer to the Fairfax County Public Schools (FCPS) to \$1,517,218,089, or \$85.88 million over the FY 2006 level. In addition, the County's Transfer for School Debt Service is \$142,690,898, an increase of \$12.41 million or 9.53 percent over the *FY 2006 Revised Budget Plan*. The combined transfer for School Operating and Debt service is \$1.66 billion, which represents 52.2 percent of total County General Fund Disbursements.

In presenting his fiscal plan, Griffin stated, "I believe this budget represents a fiscally sound approach to addressing the Board's Priorities, as well as our countywide Core Purpose and Vision Elements to ensure the sustainability of the quality of life that residents and businesses both cite as reasons they were drawn to and remain in Fairfax County. In working within the guidelines, I have had to prioritize agency requests and limit funding increases to those associated with continued operations and new facilities. However, the robust revenue growth projected for FY 2007 does allow flexibility should the Board of Supervisors decide to reduce the real estate tax rate further and/or provide additional funding for specific initiatives."

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For the sixth consecutive year, average residential real estate assessments increased by double digits. This is similar to other jurisdictions in the Metropolitan Washington area. The FY 2007 real estate estimate is based on a 22.70 percent increase in the FY 2007 valuation of real property, reflecting a 19.76 percent increase in equalization (the reassessment of existing structures) and a 2.94 percent increase due to new construction. Residential equalization still accounts for the largest part of the increase, growing 20.57 percent. All categories of residential property again experienced double-digit increases in value for FY 2007. Since FY 2001, average house values have more than doubled, growing approximately 160 percent, from \$208,126 to \$540,746 in FY 2007. Strong demand and a supply that could not keep pace continued to drive up prices during 2005.

Recognizing the significant impact that this has on residential taxpayers, the County Executive and the Board of Supervisors made cutting the real estate tax rate a top priority. As a result, the County Executive's advertised budget includes a real estate tax rate cut of seven cents – from \$1.00 per \$100 of assessed value to \$0.93 per \$100 of assessed value. With this cut, the total real estate tax rate reduction since FY 2003 is 30 cents or approximately \$3,295 in cumulative annual savings for the typical residential taxpayer from what would have been paid under the FY 2002 rate of \$1.23 per \$100 of assessed value. Nevertheless, the average homeowner will still pay approximately \$544 or 12.1 percent more in real estate taxes over FY 2006 due to the assessment increase.

In his budget transmittal message, County Executive Anthony H. Griffin shared his philosophy in developing the FY 2007 Advertised Budget Plan. He noted, "With so many worldwide events over the past year underscoring the suddenness and severity with which disasters strike, I cannot emphasize enough the importance of creating and sustaining a strong community infrastructure. In this, I include the traditional concept of facilities and institutions, as well as resources such as financial and human capital, and the less tangible concept of community spirit, which provides strength in times of serious adversity. If we are able to maintain this community infrastructure, we will then be better able to withstand the impact of a disaster – manmade or natural. Central to this strong community is a sound local government with appropriate resources and reserves, as well as robust institutions and services. I believe the steps previously taken by the Board and further advanced by my budget recommendations build on and enhance the infrastructure needed to take Fairfax County into the future. My objective was to balance the need for tax relief with the opportunities for investment that are currently available to us. The budget I am proposing is intended to keep Fairfax County on solid footing for the future with regard to both the quality of life we currently enjoy, in addition to ensuring that we remain a vibrant community able to withstand stormy weather, meteorological and otherwise."

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Healthy revenue growth in the current fiscal year (FY 2006) allowed the County Executive to make recommendations to address critical needs, as well as further strengthen the County's reserves for the future. As part of the balance projected for the *FY 2006 Third Quarter Review*, Griffin noted that he would be recommending that the Board use part of the additional FY 2006 revenue anticipated to fully fund the Revenue Stabilization Fund (RSF). This is the reserve that the Board created in addition to the Managed Reserve, which is two percent of General Fund Disbursements. The intent of the Board in establishing the RSF was to provide a reserve at a level sufficient to permit orderly adjustment to changes resulting from sudden, drastic curtailment of revenue, such as a catastrophe like that experienced by New Orleans and other localities in the Gulf region this past fall. Use of the RSF is only intended for times of severe economic stress. The target level for this reserve is three percent of total General Fund Disbursements in any given fiscal year. While Board policy has been to allocate a minimum of 40 percent of non-recurring balances identified at quarterly reviews to the RSF, it is currently funded at \$62.7 million, or less than 70 percent of its target. In FY 2006, three percent requires an RSF balance of \$92.9 million. To fully fund the RSF would require an additional \$30.2 million. Current year revenue provides the opportunity to bring this reserve up to its target so the County Executive recommended the use of available FY 2006 funds for this purpose.

The FY 2007 Advertised Budget includes a number of spending initiatives intended to maintain the high quality of life enjoyed by Fairfax County residents, as well as address countywide strategic priorities. These are described in greater detail on the following pages beginning on page 6.

After funding these essential baseline needs, an amount of \$134.94 million was available beyond the Board's Guidelines, which the County Executive placed in reserve for the Board's consideration. However, he identified a number of pressing needs and investment opportunities including infrastructure improvements such as safety enhancements for bus stops and shelters, capital renewal, land acquisition, County entryway signage, construction inflation adjustment, courtroom renovation and elevator replacement, as well as critical Board projects such as streetlight, trail and sidewalk improvements. He also recommended that the Board set aside \$10.2 million to begin addressing an accounting requirement related to post-employment benefits that states how local governments should account for and report future benefits liability. Finally, an amount of almost \$57 million was set aside for the Board to consider additional real estate tax relief and/or invest in other pressing needs. These are addressed in more detail beginning on page 16.

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## HIGHLIGHTS OF THE FY 2007 ADVERTISED BUDGET

*The following information is a summary of portions of the FY 2007 Advertised Budget Plan. You are encouraged to consult the County Executive Summary and Budget Highlights in the Overview Volume, as well as the other FY 2007 budget volumes for further details.*

### **FY 2007 REVENUE:**

FY 2007 General Fund revenues total \$3.32 billion, an 8.8 percent increase over FY 2006. Based on the proposed tax rate reduction of seven cents, real estate tax receipts are anticipated to increase 11.8 percent over last year and represent 59.6 percent of total revenue. All other categories of revenue combined are forecasted to increase a moderate, but solid 4.8 percent over FY 2006 levels. This is encouraging because it indicates continuing growth in categories such as personal property tax, sales tax and interest on investment. In previous years, real property tax revenue growth represented the only meaningful increase in the County's revenues. From June 2004 through February 2006, the Federal Reserve raised the federal funds rate 14 consecutive times by a total of 350 basis points to 4.50 percent, which affects the interest rate the County earns on its investments. After real estate taxes, revenue from the use of money and property, which includes interest on investments, is projected to increase the next most, 8.6 percent for FY 2007.

Nevertheless, the increase in residential assessments continues to be the focal point of County revenue growth. The FY 2007 Real Estate estimate is based on a 22.70 percent increase in the FY 2007 valuation of real property, reflecting a 19.76 percent increase in equalization and a 2.94 percent increase due to new construction. Not surprisingly, residential equalization contributes the largest component. Increased demand and a supply that cannot keep pace continued to drive up home prices. These trends remained strong over the past year and as a result, the County's residential equalization increased 20.57 percent for 2007. All categories of residential property experienced double-digit increases in value for FY 2007.

The FY 2007 increase in the non-residential real estate tax base reflects an increase of 16.64 percent in equalization, reflecting additional growth over the healthy 12.74 percent increase in FY 2006. Leasing of office space remained strong over the past year, with the County's overall office vacancy rate declining from 8.6 percent at year-end 2004 to 7.6 percent by mid-year 2005. However, because of the substantially higher increase in residential equalization, the overall Commercial/Industrial percentage of the County's real estate tax base is 17.22 percent in FY 2007, down from 17.36 percent in FY 2006. While this is the sixth consecutive decline, the percentage is stabilizing as the value of commercial properties has increased significantly over the past two years. This is a welcome sign that indicates a slight shift in the burden on residential taxpayers.

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## **FY 2007 GENERAL FUND DIRECT EXPENDITURES:**

FY 2007 direct expenditures total \$1,166,552,092, an increase of \$43,524,441 million or 3.88 percent over the *FY 2006 Revised Budget Plan*. This category contains traditional municipal services such as police, fire and EMS, libraries, etc. Fairfax County has taken significant steps in recent years to ensure these services are highly efficient. A measure of the efficiency with which the County provides services is the number of staff required to meet service demands resulting from increases in the County's population, as well as changing requirements such as mandates, shifting demographics and other influences. As a result of process redesign, enhanced technology and strategic prioritization of resources, Fairfax County has successfully reduced the number of positions per 1,000 residents from 13.57 in FY 1992 to 11.18 for FY 2006, a decrease of 17.6 percent. This represents significantly improved productivity because in that same period, over 160 facilities have been added or expanded to meet community needs. These include fire and police stations, libraries, recreation centers, school-age child care centers and senior centers, among others.

The budget proposed by the County Executive includes a total of 156 new positions for FY 2007, 147 of which are associated with new facilities and public safety, while 9 are targeted to address workload-related needs. Despite this increase in the number of positions, the ratio of positions per 1,000 residents remains at 11.18 for FY 2007.

The County Executive's proposed budget for FY 2007 strengthens the linkage between strategic priorities and spending decisions. In determining how to allocate available resources for FY 2007, Griffin relied on the Board of Supervisors' priorities identified during their strategic planning retreat in February 2004 (see below). In addition, his recommendations are also based on supporting the County's seven vision elements shown below. The following sections show major funding initiatives listed by Board priority and/or County vision element.

<b><u>Board Priorities</u></b>	<b><u>Countywide Vision Elements</u></b>
Strong investment in education	
Public safety and gang prevention	➡ 1. Maintaining safe and caring communities
Affordable housing	➡ 2. Building livable spaces
Environmental protection	➡ 3. Practicing environmental stewardship
Transportation improvements	➡ 4. Connecting people and places
	5. Creating a culture of engagement
	6. Maintaining healthy economies
Revenue diversification to reduce the burden on homeowners	➡ 7. Exercising corporate stewardship

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***Strong Investment in Education***

As always, the greatest share of the budget is dedicated to Fairfax County Public Schools (FCPS). The proposed FY 2007 operating transfer to FCPS reflects an increase of \$85.88 million or 6.0 percent. However, the School Board's proposed budget includes an increase in the General Fund transfer of \$126.05 million or 8.8 percent. Fully funding this request will require an additional \$40.17 million. When compared to most other school systems in Virginia, Fairfax County funds a much larger portion of its school budget with local funds. The average school division in Virginia receives approximately half of its financial support from its local government, while local funding comprises three-fourths of FCPS' budget.

In addition to the operating transfer of \$1,517.22 million, an additional \$142.69 million is included for School Debt Service to fund school construction. This combined transfer represents 52.2 percent of total General Fund Disbursements. Beyond the \$1.66 billion in County transfers to FCPS, Fairfax County provides additional support totaling \$56.62 million for public school nurses, clinic room aides, school crossing guards, Police resource officers, School-Age Child Care (SACC) program, Head Start, and Comprehensive Services Act (CSA) programs, among others.

The following are various initiatives that the County Executive proposed for funding in FY 2007. They are listed by the Board priority and/or County vision element that they support.

***Public Safety and Gang Prevention/Maintaining Safe and Caring Communities:***

- \$1.7 million and 8/8.0 SYE positions are associated with the creation of a 7<sup>th</sup> Battalion for the Fire and Rescue Department to ensure appropriate oversight, management and control of the increasing complement of field personnel and to lower the station-to-battalion ratio.
- \$3.3 million is for 32/32.0 SYE positions, supplies and equipment associated with the addition of a fourth person to each of the Fire and Rescue Department's rescue companies to allow crew members the ability to operate in separate teams of two in order to conduct tactical assignments such as forcible entry, primary search and fire attack, and to allow for quicker extrication of trapped victims. This is consistent with National Fire Protection Association standards.
- \$4.2 million is for the addition of 24/24.0 SYE positions assigned to Patrol to support the County's eight District Police Stations to reduce response times, further develop community policing concepts, engage residents in partnering to reduce crime and conduct officer safety training, in addition to 5/5.0 SYE Police Lieutenants who will be deployed to provide a 24-hour, 365-day sworn Police presence at the Public Safety Communications Center to serve as a liaison for operational issues as they relate to communication and the deployment of resources for emergency incidents.

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- \$0.9 million is for the addition of 6/6.0 SYE positions for the Criminal Investigations Bureau to provide additional investigative support in the areas of fraud/financial crimes and identity theft, organized crime, narcotics, and other investigations as needed including unsolved homicides, rapes, abductions and sexual predator crimes.
- \$0.5 million is recommended for 5/5.0 SYE positions to perform a range of critical functions within the Police Department, including recruitment, Property and Evidence Room management, and information technology support.
- \$0.3 million is for the addition of 3/3.0 SYE Animal Control Officers to respond to an increasing number of calls for service that involve animal-related events and have a public safety and health impact, including enforcement of pet licensing and inoculation violations, wildlife and exotic animal calls, firearm permit inspections, and hunting and fishing violations.
- \$2.4 million supports the expansion of after-school programming to provide middle school youth with diverse educational, social and recreational opportunities in a supervised environment by expanding services from three days per week to five days per week, a minimum of two hours per day, at Fairfax County middle schools. This funding will allow for full implementation of the program one year earlier than originally anticipated.
- \$0.1 million is included to expand the Youth Worker Program, originally initiated in the summer of 2005 in the Falls Church, Baileys and Annandale areas where selected County teens assess and make recommendations for improvement to existing youth services in Fairfax County with specific emphasis on the effectiveness of these services in reaching youth at risk for gang involvement.
- \$9.3 million is included for 16/16.0 SYE positions, as well as operating expenses such as moving costs, utilities, courtroom technology and capital equipment associated with the expansion of the Courthouse anticipated to be complete in April 2007 to consolidate court services, reduce overcrowding, allow after-hour access to some functions, and provide additional courtroom space required to address the needs of a growing population. Additional positions are required in the Facilities Management Department, the Office of the Sheriff, the Department of Information Technology and the Office of Public Affairs. The additional staff are essential to adequately operate the expanded facility.
- \$15.6 million is recommended for a 4.25 percent Market Rate Adjustment for uniformed public safety personnel including Police, Sheriff, and Fire and Rescue Department employees to maintain pay competitiveness and avoid the need for large-scale adjustments in the future to catch up with the market.

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- \$3.4 million will provide a 2.0 percent across-the-board salary adjustment for uniformed Fire and Rescue personnel based on a review of neighboring jurisdictions in order to attract and retain highly qualified staff.
- \$2.0 million is provided for merit increments for those public safety employees eligible to receive them based on grade and step.
- \$0.4 million is included to adjust shift differential and holiday pay to be more comparable with surrounding jurisdictions in order to enhance recruitment and retention.
- \$1.2 million has been included to support the Little River Glen Adult Day Health Care Center and the Braddock Glen Assisted Living Facility to allow an alternative to nursing home placement for adults with disabilities and seniors, as well as offer respite for family caregivers and provide 60 assisted-living units for low- and moderate-income seniors, enabling them to remain in the County, close to family.
- \$0.1 million is for 2/1.27 SYE Clinic Room Aides and operating expenses associated with the opening of West Fairfax Elementary School and increased enrollment at Westfield High School to provide first aid and care to sick and injured students, administer medication, and conduct hearing and vision screenings for students in Fairfax County Public Schools.
- \$0.2 million is for 2/2.0 SYE Public Health Nurses II and operating expenses associated with additional Health Department support for the Fairfax County Public Schools in order to reduce the ratio of students to Public Health Nurses from 3,036:1 to 2,895:1 and increase the student health plan completion rate within five school days of notification from 36 percent to 62 percent.
- \$0.2 million is included for 1/1.0 SYE Management Analyst II and 1/1.0 SYE Community Health Specialist to support the Medical Reserve Corps, a function currently supported by a grant that expires in FY 2006, in order to organize over 3,000 trained volunteers who staff and operate vaccination or medication-dispensing sites across the County should a bioterrorist event, such as anthrax or smallpox, or a naturally occurring epidemic, such as pandemic flu, require such intervention.
- \$0.2 million is provided for 1/1.0 SYE Public Health Nurse II and 1/1.0 SYE Community Health Specialist who are associated with the Health Department's Communicable Disease/Epidemiology Program to prevent epidemics and the spread of disease, and to promote and encourage healthy behaviors.

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- \$0.1 million for 1/1.0 SYE Management Analyst III will provide much-needed capacity for the Health Department to address critical needs including development of a community-wide strategic planning tool known as “Mobilizing Action through Planning and Partnerships;” a pandemic flu plan with isolation and quarantine components; a public health action plan for reversing the upward trend of obesity and overweight individuals in the community; and a strategic review of the school health program.
- \$0.2 million is provided for 1/1.0 SYE Environmental Health Specialist II and 1/1.0 SYE Environmental Health Specialist III to provide the industrial hygiene expertise needed to collaborate more effectively with the Fire and Rescue Department to mitigate incidents involving chemical hazards.
- \$4.1 million has been included to address higher numbers of children enrolled in the Child Care Assistance and Referral program consistent with FY 2006 requirements.
- \$0.8 million is provided for 12/9.72 SYE positions that are associated with opening four new School-Age Child Care rooms at Oak Hill Elementary and the new West Fairfax Elementary School scheduled to open for the 2006-2007 school year.
- \$0.2 million has been included for 2/2.0 SYE positions to provide nurse practitioner services in the five homeless shelters located throughout the County.
- \$1.2 million, including \$700,000 for operating expenses for six months and \$500,000 in one-time start-up costs, has been included for the Katherine K. Hanley Family Shelter, scheduled to open in April 2007 to provide comprehensive emergency shelter services to approximately 20 homeless families, a majority of whom are children.
- \$0.1 million is provided to offset the loss of grant funding for The Enterprise School, the only public/private partnership for alternative schools.
- \$0.3 million is included for 7/7.0 SYE positions and operating expenses for the Public Safety and Transportation Operations Center scheduled to open November 2007. This 24/7 facility requires 6/6.0 SYE Facilities Management Department positions to staff an Operations and Maintenance satellite shop to address the maintenance and repair needs of the critical mechanical and electrical systems. In addition, 1/1.0 SYE General Manager, the costs of which will be shared by Fairfax County and the Virginia Department of Transportation, will ensure the coordination of facility use and resources.

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***Affordable Housing/Building Livable Spaces:***

- \$21.9 million, or the approximate value of one penny on the Real Estate Tax rate, is included in “The Penny for Affordable Housing Fund” to preserve and create affordable housing opportunities.
- \$0.1 million is associated with 1/1.0 SYE Geographic Information Spatial (GIS) Analyst III in the Department of Housing and Community Development who will develop and manage databases containing GIS information that will be used in designing creative approaches to neighborhood redevelopment and to attract private development and investment in support of revitalization activities.
- \$0.5 million is provided for 5/5.0 SYE positions and operating expenses associated with the new Combined Community Inspector Program to more quickly and comprehensively respond to increased zoning and health-related complaints by creating a one-stop program and eliminating many of the cross-agency referrals that have occurred in the past since many complaints involve violations that cut across traditional agency lines of responsibility.
- \$0.1 million and 1/1.0 SYE position are associated with the opening of CLEMYJONTRI Park, the County’s first fully accessible playground serving disabled children in McLean, as well as Turner Farm in Great Falls to provide opportunities for equestrian activities.
- \$0.9 million is included to implement policies developed by the multi-agency Walk-on Use committee to ensure access for scheduled use of County fields and prevent the damaging impact that results from unauthorized use.
- \$5.0 million is included for athletic field maintenance. Of this amount, \$0.9 million is supported by Athletic Field Application Fees. This funding will support athletic field maintenance, synthetic turf field development and custodial support.
- \$2.0 million is included for increased debt service (principle and interest payments) to support an increase of \$75.0 million per year for increased bond sale capacity. The FY 2007 County Transfer for Debt Service totals \$255.5 million, an increase of \$26.5 million or 11.6 percent over the *FY 2006 Revised Budget Plan* amount of \$229.0 million, and with other revenue and transfers in, supports \$261.97 million in Debt Service Requirements.

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***Environmental Protection/Practicing Environmental Stewardship:***

- \$21.9 million, or the approximate value of one penny on the County's Real Estate Tax, has been included for prioritized stormwater capital improvements to the County's stormwater system to protect public safety, preserve home values and support environmental mandates such as those aimed at protecting the Chesapeake Bay and the water quality of other local waterways.
- \$0.2 million for 3/3.0 SYE positions and fringe benefits is associated with the enhanced Stormwater Management Program to manage over 100 new stormwater construction contracts.
- \$0.2 million is for 2/2.0 SYE positions for the Developer Default Program to address situations where, as a result of economic conditions in the construction industry, some developers do not complete required public facilities such as walkways, storm drainage improvements, and roads to the required level for acceptance by the state. Due to the increasing number of developer projects going into default, these positions are necessary in order to bring projects to completion in a timely manner.

***Transportation Improvements/Connecting People and Places:***

- The total Fairfax County requirement (subsidy) for Washington Metropolitan Area Transit Authority (WMATA) Operating Expenses totals \$61.1 million, an increase of 7.3 percent over the *FY 2006 Revised Budget Plan* and supports Metrorail, Metrobus and MetroAccess (paratransit) service. However, it should be noted that the General Fund Transfer of \$19.5 million is being held flat at the *FY 2006 Revised Budget Plan* level.
- \$6.6 million or an increase of 27.1 percent for County Transit Systems will enable the FAIRFAX CONNECTOR to maintain FY 2006 levels of service, as well as provide support for several new requirements. The total FY 2007 General Fund Transfer for Fund 100, County Transit Systems, is \$30.7 million. Of the increase, \$4.2 million supports a 4.5 percent contractual adjustment for the FAIRFAX CONNECTOR, significant costs associated with higher fuel prices, as well as the continued transition to ultra low sulfur diesel fuel. An additional \$1.1 million supports the new Reston Town Center Transit Center, SmarTrip fareboxes on CONNECTOR buses, emergency preparedness initiatives, full-year funding of the Virginia Railway Express (VRE) Burke Library shuttle, and the County's VRE subsidy increase due to higher fuel costs, insurance premiums and rail car replacement.

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- \$0.3 million is included for 3/3.0 SYE Transportation Planner III positions in the Department of Transportation to address substantial workload-related issues including the Residential Traffic Administration Program, which is primarily associated with an increase in requests for the creation of Community Parking Districts; serve as Metrobus Service Planner for the County to develop and update five-year service plans, as well as coordinate ongoing operational issues with WMATA; and administer and provide oversight of FAIRFAX CONNECTOR contract service delivery operations.
- \$16.8 million, which includes a General Fund transfer of \$16.0 million and interest income of \$0.8 million, is provided for initiatives that meet one or multiple priorities established by the Senior Information Technology Steering Committee.
- \$2.4 million is included for Technology Infrastructure Services to support the operation and maintenance of the County computer center and server platforms 24 hours a day, seven days per week; the safeguarding of County software license obligations, data repositories and information assets; additional security measures for daily operations and incident investigation required to further protect the County from unauthorized entry into County systems, attacks, viruses, data destruction and other cyber threats; the maintenance of County data and radio communication networks; and the upgrade of desktop computers to remain consistent with advancements in technology required for service delivery.

***Creating a Culture of Engagement:***

- \$8.2 million represents the General Fund transfer to support the first year of the next two-year cycle in the Consolidated Community Funding Pool (CCFP) and reflects a 10 percent increase over the FY 2006 General Fund transfer level to leverage nonprofit organizations' resources to meet community challenges.
- \$11.1 million is provided through Fund 119, Contributory Fund, to various nonsectarian, nonprofit or quasi-governmental entities for the purpose of promoting the general health and welfare of the community.

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- \$2.4 million is included for five separate countywide senior initiatives including \$500,000 to support the Fairfax County CARE Fund, a project to address current shortages in low-income, assisted-living facilities; \$400,000 to support a new long-term care non-profit that will integrate the various long-term care support programs in the community, build capacity and develop a single, coordinated long-term care system that will be easier for families to navigate when seeking the most effective care for their loved ones; \$300,000 in recurring funds to leverage additional resources and specifically fund late-stage Alzheimer's care in the community through a contractual arrangement with the Alzheimer's Family Day Center; \$915,000 for the Senior Plus Program in order to provide services for senior adults who require a higher level of assistance to participate in senior activities within existing Senior Centers; and \$300,000 to support the proposed Fairfax County Incentive Fund to widen the array of services available by providing grants to community organizations to stimulate the development of self-sustaining initiatives that will build additional long-term care options for seniors and adults with disabilities in underserved communities.

***Maintaining Healthy Economies:***

- \$0.3 million is included, but is offset by revenue associated with fees charged to inmates, in order to place all inmates currently in the Work Release Program and Electronic Incarceration Program on an active Global Positioning System tracking system. These programs allow otherwise incarcerated individuals an opportunity to earn income to offset their housing and service costs, pay restitution, child support, and/or other financial assistance to their families.
- \$0.5 million is for 4/4.0 SYE positions in the Department of Information Technology to manage the day-to-day tactical implementation, support, maintenance and customer service of the County's information technology environment and systems; manage the wireless services and infrastructure for voice and data applications; provide the needed support for the County to continue its role in regional interoperability initiatives, both in the Commonwealth and in the National Capital region; and continue to provide 24/7 secure, reliable e-government services to the residents and business partners of Fairfax County, as well as support new security initiatives.

***Revenue Diversification/Exercising Corporate Stewardship:***

- \$5.4 million is primarily for higher fuel prices as a result of market conditions, coupled with the County's ongoing conversion to ultra low sulfur diesel fuel. Of the total fuel increase, \$1.9 million is associated with FAIRFAX CONNECTOR needs.

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- \$0.8 million is associated with higher utility costs based on projections for the County's participation in the regional natural gas contract through the Washington Metropolitan Council of Governments, and the second year of a two-year contract for Fairfax County to purchase five percent of its energy for County government buildings from wind energy.
- \$10.8 million is provided in order to continue the Pay for Performance program for over 8,000 non-public safety employees.
- \$14.8 million or 8.2 percent over the *FY 2006 Revised Budget Plan* of \$180.30 million for Fringe Benefits is included to address increases in Health Insurance, Dental Insurance, Social Security, Retirement and the transfer for the Retiree Health Benefits subsidy.

## **TAX RATES AND FEES**

As part of an ongoing effort to diversify the revenue base and reduce the real estate tax burden on homeowners, the County continues to review fees and other revenue sources to identify appropriate adjustments. The following highlight several programs, taxes or fees:

### **Tax Relief Program**

The FY 2007 Advertised Budget Plan maintains the current Tax Relief Program with the maximum level of assets allowed for Real Estate Tax relief eligibility at \$340,000. Income limits remain at 100 percent exemption for elderly and disabled taxpayers with incomes up to \$52,000; 50 percent for eligible applicants with income between \$52,001 and \$62,000; and 25 percent if income is between \$62,001 and \$72,000. These rates were adjusted in FY 2006.

### **Real Estate Tax Rate Reduction**

The FY 2007 Advertised Budget Plan includes a proposal to further reduce the Real Estate Tax rate from \$1.00 to \$0.93 per \$100 of assessed value. This brings the total rate reductions from FY 2003 to FY 2007 to \$0.30 per \$100 assessed value. The seven-cent reduction for FY 2007 results in a savings of \$378.52 for the typical homeowner compared to the FY 2006 rate. However, even with this rate cut, the typical homeowner will still see an increase of \$544.03 or 12.1 percent over FY 2006 due to the assessment increase.

### **Personal Property Tax**

No increase is proposed in the Personal Property Tax rate, which remains at \$4.57 per \$100 assessed value.

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### **Refuse Collection Fee Increase**

Residents within Sanitary Refuse Collection Districts who receive County refuse collection service are charged an annual service fee through the semiannual property tax bill for regular trash pick-up and recycling. These districts are created by the Board of Supervisors upon citizen petition. From FY 2000 through FY 2004, the annual fee was maintained at \$210 per unit to draw down the unreserved fund balance. Due to increasing disposal fees, rising personnel expenses and lower fund balances, the annual fee was increased from \$210 to \$240 in FY 2005 and to \$270 in FY 2006, which was still consistent with rates charged by private sector haulers.

While the FY 2006 increase slowed the decline in the ending balance, this increase has not been sufficient to cover higher program operating and personnel-related costs. If the current rate of \$270 is maintained in FY 2007, the ending balance is likely to be insufficient to meet vehicle and equipment replacement reserve requirements. In order to cover anticipated expenditures in FY 2007 and maintain essential reserves, an increase in the annual fee to \$315 is required for approximately 40,000 customers who receive this service. Future rate increases are also anticipated.

### **Sewer Fees Increase**

In FY 2007, the Availability Fee charged to new customers for initial access to the system will increase from \$5,874 to \$6,138 for single-family homes based on current projections of capital requirements and is consistent with the analysis included in the Forecasted Financial Statement for July 1, 2005 through June 30, 2010. The Sewer Service Charge is billed to all existing customers and is used to fully recover operating and maintenance costs, debt service payments, and capital project funding primarily attributable to improving wastewater treatment effluent standards as mandated by state and federal agencies.

The Sewer Service Charge will increase from \$3.28 to \$3.50 per 1,000 gallons of water consumption in FY 2007. This equates to a 6.75 percent increase in rates and will result in an anticipated increase in the annual cost to the typical household of \$16.72.

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## INVESTMENT OPPORTUNITIES

The County Executive also noted that FY 2007 revenue growth allows for the Board's consideration of a number of reserves to address longer term County liabilities, as well as provide investment opportunities for infrastructure requirements. In order to remain within the Board's FY 2007 Budget Guidelines, these proposals, totaling \$134.94 million were not funded in Griffin's recommended budget, but were provided for the Board's consideration. The County Executive noted that a portion of these funds could be used for further Real Estate Tax rate reductions; however, he strongly caution against the allocation of *all* available funding to reduce the tax rate, stating, "It is essential that we look at tax rate scenarios over a number of years rather than just one. As the economy begins to slow and housing values return to more stable, lower annual increases, I believe that the County's revenue growth will also slow."

**Reserve for GASB 45 - \$10.20 million:** Beginning in FY 2008, the County must implement Governmental Accounting Standards Board (GASB) Statement No. 45 for post-employment benefits including health care and other non-retirement benefits offered to retirees. This new standard addresses how local governments should account for and report their costs related to post-employment healthcare and other non-pension benefits, such as the County's retiree health benefit subsidy. Currently, the County's subsidy, which is a monthly payment to help offset the cost of health insurance ranging from \$30 to \$220 to retirees depending on age and years of service, is funded on a pay-as-you-go basis. GASB 45 will require that the County accrue the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the County. This funding methodology mirrors the approach used for pension/retirement benefits.

A preliminary valuation as of January 1, 2005 calculated the County's actuarial accrued liability (excluding the Schools portion) at approximately \$191 million. This liability will be reportable on County financial statements. Failure to address this liability will jeopardize the County's credit and bond ratings.

The County's annual contribution to amortize this liability is estimated at \$10.2 million. As part of the *FY 2005 Carryover Review*, an amount of \$10 million was set aside in a reserve from excess revenues received from employer contributions. This amount, along with annual allocations of \$10.2 million will begin to meet the County's obligations to fund this liability. The available funding will be transferred to a new trust fund for which investment earnings will also help defray the liability.

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**Reserve for Jennings Courtrooms Renovation and Elevators - \$15.55 million:** Expansion of the County's Courthouse, the Jennings Building, is underway and will add 316,000 square feet including additional courtrooms, judges' chambers, office and support space, and site improvements. The Courthouse expansion, funded with General Obligation Bonds approved in 1998 and 2002 referenda, is needed to keep pace with the growth in the County's population and its impact on caseloads. The existing facility is over 20 years old and is sized to meet the requirements of a population less than two-thirds the County's present size.

Due to the magnitude of this project and the complexity of adding space to a facility that must remain open and operational during the expansion, certain staging of facility requirements was necessary and as such, renovation work of existing spaces in the Jennings Building was not included in the scope of the original project. As expansion has taken place, staff has had the opportunity to examine and review additional issues within the Jennings Building. One major issue is the existing 25 courtrooms that are not being renovated or moved. These courtrooms require improved lighting, ductwork realignment, furnishings and technology upgrades to keep these Circuit and General District courtrooms operational. The cost to complete this work is \$550,000 per courtroom, for a total requirement of \$13.75 million. In addition, further review has also indicated a significant capital renewal issue associated with the seven elevators in the Jennings Building. These elevators have exceeded their useful life and breakdowns are more regular. In addition, only refurbished elevator parts are available for repair. Funding in the amount of \$1.8 million is necessary to replace the elevator equipment.

**Reserve for Construction Inflation Adjustments - \$12.00 million:** Construction activity in the region is continuing at a brisk pace. The level of activity in the construction market and associated cost escalation is resulting in bid prices that often exceed projected estimates. Since January 2004, the County's construction bids have been on average 13 percent higher than the pre-bid estimates. Much of this escalation can be contributed to increases in construction material costs and a strong local construction market, combined with skilled labor shortages. Material cost increases include 29 percent for structural steel, 32 percent for some wood products and up to 20 percent for cement products. More alarming is the fact that the local construction market has not yet felt the full impact of strained inventories and cost increases resulting from reconstruction work in the nation's Gulf states.

The impact of these cost increases will present a significant challenge in both FY 2006 and FY 2007. As of January 2006, the value of construction projects remaining to be bid in the fiscal year is estimated at \$135 million or 65 projects. Approximately 80 percent or \$110 million of this amount is for building projects, including: the Public Safety and Transportation Operations Center (PSTOC), Forensics Facility, Wolf Trap Fire Station, Burke VRE Parking Structure and the West Ox Bus Operations Center.

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Another \$90 million and approximately 70 construction projects are expected to be bid in FY 2007. This includes approximately \$45 million in building projects, some of which include the Burke Centre Library, Dolley Madison Library Expansion and Renovation, Thomas Jefferson Library Expansion and Renovation, and the Girls Probation House. The Department of Public Works and Environmental Services is closely monitoring construction market trends and continues to work aggressively during project design to manage project budgets in this extremely challenging environment. However, it is clear that additional funding may be necessary to meet the financial requirements associated with these facilities. As such, the County Executive recommended a reserve of \$12.00 million or approximately 5 percent of projected FY 2006 and FY 2007 construction projects be established to offset increased materials and labor costs.

**Reserve for County Entryway Signage Enhancements - \$0.50 million:** In many jurisdictions, there are attractive signs located strategically on various roadways that welcome travelers to whichever city, county or town they are entering. Fairfax County does not currently have such signage. In order to establish a sense of place, welcome travelers to the County and highlight special sites of interest, funding of \$0.5 million is recommended for FY 2007 for the Fairfax County Convention and Visitors Corporation. This program, which would be phased in, has a recommended timetable for signage installation by June 2007. Such signage is of three types: monumental to indicate that travelers are entering the County; pathfinders to help them find specific sites of interest; and directional to help them find their way to various amenities such as airports. Providing such signs will enhance tourism, as well as establish Fairfax County as a separate vibrant community in visitors' and residents' minds.

**Reserve for Land Acquisition/Facility Opportunities - \$8.00 million:** Funds for land or facility acquisition will provide flexibility for the Board of Supervisors to take advantage of opportunities that may arise during the year. Without this reserve funding, the FY 2007 recommended budget includes only \$1.0 million in uncommitted funding for this purpose. At this level of funding and given the current market price of land, it is clear that the Board will be severely limited in its ability to capitalize on available properties. In the past, the Board has used its acquisition funding to purchase land and easements for parks and recreation, historic preservation or to address specific facility requirements.

**Reserve for Critical Board Projects - \$10.00 million:** Since the *FY 2004 Third Quarter Review*, the Board of Supervisors has allocated a portion of available reserves for critical Board infrastructure projects. These projects, which include streetlight, trail and sidewalk improvements, are generally funded with one-time balances, usually as part of regularly scheduled quarterly reviews of the budget. Based on funding limitations, very little funding has been available as part of the annual budget process for these kinds of projects, which serve as important links in the County's transportation network. In fact, most annual funding available for these improvements addresses only emergency work and no expansion. This funding would provide \$1 million per Board member to address critical projects.

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**Reserve for Safety Enhancements at Bus Shelters and Bus Stops - \$10.00 million:** In September 2005, the Board of Supervisors received the results of a Bus Stop Inventory and Safety Study. Accessible and pedestrian safe bus stop facilities are a key part of the County's overall transportation plan and the report provided the status of 3,941 stops in the County. The study found that the condition of the County's bus stops varied greatly throughout the region. Of the total, 190 stops were categorized as difficult to access and use. Another 465 stops are missing essential elements for accessibility and/or were located on busy roadways. Only 154 of the bus stops met all federal Americans with Disabilities Act (ADA) requirements. The study also identified an improvement program for the bus stops in most need of repair, resulting in a listing of 344 bus stops requiring improvements in the near-term. Cost estimates to improve these 344 priority bus stops range from \$10 million to \$15 million, so a reserve of \$10.0 million is recommended to address the most critical needs.

**Reserve for Capital Renewal Projects - \$11.84 million** In order to better define the County's capital renewal needs, a comprehensive facilities condition assessment was conducted on 92 selected Fairfax County facilities (approximately 4.2 million square feet of space), representative of older facilities anticipated to have the most capital renewal requirements in the near future. The assessment included a complete visual inspection of roofs and all mechanical and electrical components for each facility. Maintenance and repair deficiencies were identified and funding requirements identified. The results indicate a multi-million dollar investment is needed over time. Such a backlog of requirements results from the deferral of maintenance and repair projects in recent years as a result of the need to fund other high priority requirements.

Specifically, the facility condition assessment indicated that an estimated \$80 million will be needed over the next ten years to meet expected repair and equipment replacement needs. Without significant reinvestment in building subsystems, older facilities will fall into a state of ever decreasing condition and functionality, and the maintenance and repair costs necessary to operate the facilities increase. Funding recommendations to be included in the *FY 2006 Third Quarter Review* and in the FY 2007 Advertised Budget Plan will address those projects that were ranked urgent/safety-related or related to critical systems in danger of possible failure. This reserve of \$11.84 million is recommended to address the remaining FY 2007 prioritized projects.

It is important to note that the current industry standard for capital renewal investment is currently two percent of replacement value. Based on current average replacement values of \$150 per square foot, two percent would equate to capital renewal requirements of \$3.00 per square foot. Historically, budgeted capital renewal funds have fallen well short of this level. The FY 2007 funding level, without this reserve funding, provides for only \$0.30 in capital renewal spending per square foot.

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**Reserve for Board Consideration - \$56.85 million:** As a result of market factors, and strong job growth, housing prices and thus assessments have continued to increase. The Board's commitment to taxpayer relief has resulted thus far in four consecutive years of tax rate cuts. The County Executive's FY 2007 budget recommendation includes a fifth-year cut for a total reduction of 30 cents since FY 2003, saving the residential taxpayer \$3,295 from what they would have paid without the Board's action. And yet, the average homeowner will pay an estimated 12 percent more in FY 2007 than they did in FY 2006. Consequently, the County Executive identified a reserve of \$56.85 million for the Board's consideration as part of the FY 2007 budget for additional tax relief or to fund other Board priorities.

## FINANCIAL FORECAST

Looking ahead to future fiscal years, the financial forecast for FY 2008 and FY 2009 maintains the FY 2007 Advertised Budget Plan Real Estate Tax rate of \$0.93 per \$100 of assessed value and limits increases in County expenditures to 5.0 percent and the transfer to the Schools at 6.0 percent. This forecast projects County total revenue growth of 5.8 percent in FY 2008 and 5.5 percent in FY 2009. These rates of growth are due to projected moderating increases in real estate property values and decelerating growth in other revenue categories.

This current forecast shows surpluses of \$59.6 million in FY 2008 and \$71.6 million in FY 2009 as a result of projected revenue increasing at a faster pace than County expenditures. The projected surpluses may be available for the Board of Supervisors' consideration of funding for additional service requirements or providing additional Real Estate Tax relief. Details of the FY 2008-FY 2009 Forecast can be found in the Financial Forecast section of the Overview Volume of the FY 2007 Advertised Budget Plan.

## PUBLIC HEARINGS

Public hearings on the FY 2007 Advertised Budget Plan will be held in the Board Auditorium of the Fairfax County Government Center on April 3, 4 and 5, 2006. The public hearings will begin at 7:00 p.m. To sign up as a speaker, the public should call the Clerk to the Board of Supervisors at 703-324-3151 (TTY: 703-324-3903). The Board Auditorium is accessible to persons with disabilities.

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## ADDITIONAL INFORMATION

For further information on the **FY 2007 Advertised Budget Plan**, contact the Department of Management and Budget at 703-324-2391 or access the budget on the Internet at (<http://www.fairfaxcounty.gov/dmb>). The entire budget is also available on CD-ROM.

Reference copies of the **FY 2007 Advertised Budget Plan** are available at all County libraries and a limited number of copies are also available at the Publications Desk on the first floor of the Fairfax County Government Center. The public is encouraged to call in advance to confirm availability of the printed budget. The telephone number is 703-324-2974.

A reference copy will also be available in the Office of the Clerk to the Board of Supervisors. In addition, information on the **FY 2007 Advertised Budget Plan** is available on the County's Web site at [www.fairfaxcounty.gov/dmb](http://www.fairfaxcounty.gov/dmb) and by calling the Department of Management and Budget at 703-324-2391, TTY 711.

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